



## United States Council for International Business

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STATEMENT OF  
AMBASSADOR THOMAS M.T. NILES  
PRESIDENT  
UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS  
BEFORE  
U.S TRADE DEFICIT REVIEW COMMISSION  
NEW YORK, NEW YORK  
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### Introduction

I am Thomas Niles, President of the United States Council for International Business (USCIB). The USCIB represents the interests of U.S. business on international economic policy issues at the major international economic institutions and to the executive and legislative branches of the U.S. Government. As the U.S. affiliate of the International Chamber of Commerce (ICC), we consult with various bodies of the United Nations. As the U.S. affiliate of the Business and Industry Advisory Committee (BIAC) to the Organization for Economic Cooperation and Development (OECD), we represent U.S. business views in the development of BIAC recommendations to the OECD. Finally, the USCIB serves as the U.S. affiliate of the International Organization of Employers (IOE) and has been the organization representing U.S. business in the International Labor Organization (ILO) since 1979. I welcome the opportunity to discuss the liberalization in trade in services, how this contributes to the growth of electronic commerce, and how that growth will contribute to the reduction of our balance of trade/payments deficit.

To begin, I believe that it would be useful to provide a snapshot of U.S. services exports, most of which is taken from the Department of Commerce, International Trade Administration's Office of Service Industries' "U.S. *Services Trade Highlights* " issued in December 1999.

- 70% of the U.S. GDP comes from Services;
- The U.S. is the largest exporter and importer of services:

- The U.S. services trade balance has been positive since 1971
- U.S. services exports have increased at an average rate of 8 percent since 1992;
- The U.S. exported \$263 billion in commercial services in 1998, a \$5 billion (2 %) increase from 1997 and more than double the \$117 billion exported ten years earlier – this does not include services sold by foreign subsidiaries of U.S. firms which is at roughly equal levels;
- The 1998 U.S. surplus in trade in services was \$82.7 billion. It is important to note that weakness in foreign markets in 1998 led to declines in the services trade surpluses with Asia, Europe and the Western Hemisphere, the first such decline since 1985. 1999 projections are expected to make up that difference with the recovery of these markets last year.

These highlights clearly demonstrate the strength of U.S. service industries vis-à-vis their foreign competitors. The USCIB has long sought further liberalization commitments for a broad range of service sectors to provide more commercial opportunities for U.S. service industries. We fully support expeditious progress on the newly launched WTO Services 2000 Negotiations.

The extraordinary strength of U.S. companies in the commercialization of the Internet provides the U.S. with a new, less expensive, more competitive and more efficient means of delivering its services exports. This in itself should result in a significant contribution to our trade surplus in this area, and we should add to it the enormous growth in exports of the equipment and software that make the Internet work.

The USCIB views electronic commerce not as a service sector unto itself but as simply another, often better, means of delivering goods and services. As I will note below, there are several possible negotiating strategies designed to maximize our advantages in this area that are currently being reviewed by our membership. We are working to develop a U.S. business consensus on a trade strategy to promote electronic commerce. Further liberalization in trade in services as well as trade in goods, is a necessary step to realize fully the potential of electronic commerce. Another important aspect is liberalization of telecommunication services.

## ENCOURAGING THE DEVELOPMENT OF ELECTRONIC COMMERCE

Telecommunications plays a critical role in the development of a global information infrastructure and provides the infrastructure upon which all forms of electronic commerce depend. In light of their far-reaching impact on world trade and commerce, the USCIB believes that basic telecommunications, value-added services and computer and related services should be given highest priority in the WTO Services 2000 Negotiations. It is also essential that the U.S. seek market liberalization in a broad range of related service sectors, which are also vital to the development of electronic commerce and the ability to deliver underlying services electronically.

Prior to the WTO Ministerial in Seattle, on behalf of our members, I urged Ambassador Barshefsky to seek improvements in the considerable accomplishments already made on market access and national treatment for basic telecommunications, value-added services and computer and related services. We encouraged U.S. negotiators to continue their efforts to broaden and deepen WTO

Member Country commitments in these areas in order to ensure the necessary infrastructure for electronic commerce to flourish. This is of paramount importance.

The 1997 Agreement on Basic Telecommunications Services, with its accompanying Reference Paper detailing a set of pro-competitive regulatory principles, were groundbreaking accomplishments for the WTO and the Agreement's signatories. Value added and computer and related services commitments resulting from the Uruguay Round Negotiations have also been instrumental in making access to the global information infrastructure more affordable and more widely available. The Services 2000 Negotiations can build upon these successes.

More specifically, it is our view that minimum meaningful basic telecommunications commitments should include:

- Specifying a date certain for full market liberalization;
- Removing foreign ownership restrictions; and
- Adopting the Reference Paper on Basic Telecommunications in its entirety.

Furthermore, the USCIB urges WTO Member Countries:

- That have scheduled basic telecommunications commitments to implement them effectively, including the WTO Reference Paper;
- That have scheduled basic telecommunications commitments but have not signed-on to the Reference Paper to do so;
- That have not yet scheduled meaningful market-opening commitments for basic telecommunications to do so;
- That have not yet scheduled meaningful market-opening commitments for value-added services and/or computer and related services to do so; and
- To include as one of their highest negotiating priorities in any WTO accession protocol, adoption by the acceding party of meaningful market opening commitments in basic telecommunications, value-added services, and computer and related services.

Finally, the USCIB strongly supports the following goals for electronic commerce within the WTO:

- Making permanent the current standstill on imposing custom duties on electronic transmissions to help ensure that electronic commerce achieves its full potential;
- Affirming that current WTO obligations, rules, disciplines and commitments made under GATT, GATS and TRIPS are technology neutral and therefore apply to electronic commerce;
- Agreeing to refrain from enacting measures that have the effect of impeding, actually or potentially, international e-commerce;

- Further agreeing that, if governments must enact measures that may impede or threaten to impede international e-commerce, the measures will use the least trade-restrictive means and be consistent with fundamental principles of international trade law, whether or not such measures are subject to specific obligations under the WTO, including:
  - . National treatment/non-discrimination;
  - Most Favored Nation;
  - Transparency, including with respect to domestic regulation; and
  - Notification, review, and consultation.

Though the infrastructure over which electronic commerce flows is an essential element in ensuring its continued growth, the benefits of that infrastructure would be severely limited if it cannot be used to provide services across borders. If a particular service cannot be provided across borders in traditional commerce it cannot be provided across borders electronically. Therefore, as noted above, liberalization commitments in a broad range of service sectors are also essential to ensure the continued growth of electronic commerce. Such sectors include financial services? professional services, distribution services, content services, express courier services, etc. The Services 2000 Negotiations provide the platform to ensure greater access to foreign markets for relevant U.S. service sectors.

#### INDUSTRY PROPOSALS TO PROMOTE ELECTRONIC COMMERCE POST SEATTLE

In the wake of the Seattle Ministerial and the failure of the WTO trading partners to conclude a Ministerial Declaration, U.S. business continues to develop, review and refine potential negotiating strategies to ensure that the global trading regime is conducive to the continued growth of electronic commerce and the delivery of services electronically. There are currently three proposals being reviewed by industry:

- An electronic commerce services approach;
- A horizontal approach; and
- A sectoral approach.

I will briefly explain each approach. An industry developed electronic commerce services approach contains three elements:

- a “standstill” commitment in place during the course of negotiations;
- a commitment to allow unrestricted cross-border provision of services; and
- a package of key “e-commerce enabling” sectoral commitments that would provide national treatment and market access.

The initiative seeks commitments in selected service sectors that enable electronic commerce. In other words, the package seeks to secure commitments in subsectors that cover the entire value chain of an electronic commerce transaction from accessing the telecommunications network through ensuring electronic payment for the transaction. This approach is an attempt to leverage the goodwill that many trading partners have toward electronic commerce – no country wants to be left behind in this “e-volution.” The second element of this approach includes securing market access commitments

in the underlying service sectors. It is important to note that this approach recognizes that other critical trade issues also need to be addressed, i.e. information technology goods tariff liberalization, intellectual property rights, customs facilitation, etc. that cannot be addressed in the Services Negotiations. This approach is intended to stimulate a dialogue in the WTO on these important issues while still advancing the services aspects of a trade agenda that would promote electronic commerce.

The horizontal approach attempts to address cross-cutting trade issues as they relate to electronic commerce, namely goods, services, intellectual property and investment measures. This approach calls for a simultaneous negotiation within each of the separate WTO bodies -- the GATT, GATS, TRIPS and TRIMS -- and would support a coordinated agenda to promote electronic commerce beyond service industries.

The sectoral approach is, in essence, a typical trade negotiation where negotiators seek commitments on a sectoral basis without clustering sectors together as a package. This approach would seek new and improved commitments in all sectors, including both the underlying physical infrastructure services (e.g. basic telecommunications, value-added services and computer and related services) and the underlying services themselves, as is currently envisioned for the Services Negotiations without a direct linkage to electronic commerce.

## **CONCLUSION**

U.S. business is reviewing these three different approaches and is working toward developing a consensus on the best way to achieve open markets for U.S. service providers. There is a strong basic consensus within the business community that trade liberalization is good for the U.S. economy. The mixture of services liberalization and the continued growth of electronic commerce will allow the U.S. service industries to seize upon their comparative advantages in many service sectors and the information technology industry, thereby increasing our trade surplus in services and making a significant contribution to improving our balance of payments, and promoting better jobs and more choices for consumers.

Thank you.